



CRC

for

Premium

Quality

Wool

Government Intervention in Markets

Produced for the CRC for Premium Quality Wool undergraduate program by;
Dr. Peter Auer, The University of New South Wales.



Why?

- **Foreign Exchange**
- **Rural Economy**
 - politics
 - social structure
- **Producers**
 - bargaining power
 - pricing policy
 - “rent seeking”
- **Market Failure**

CRC

for

Premium

Quality

Wool



CRC

for

Premium

Quality

Wool

How?

- **Statutory Marketing Authority (SMA)**
 - wheat, wool, dairy, eggs
 - trend to corporatisation
- **industry levies**
 - compulsory
 - “free-rider”
- **price stabilisation schemes**
 - buffer stock
 - Reserve Price Scheme



Statutory Marketing Authorities

- regulate commodity trade
 - fix minimum price
 - impose constraints on shipments
 - sales through authorised agents
 - not usually trading
- freight rates
 - industry setting
- publicity and promotion
- research & development
 - trend to constituted corporations

CRC

for

Premium

Quality

Wool



Industry Levies

- **compulsory**
- **domestic sales**
 - wool receipts
 - current 4%, proposed 3% 2000-2001, <2% 2001-2002
 - 3.5% WoolMark
 - 0.5% R&D, matched by Government
- **overseas sales**
 - not at present
 - proposed IWTO levy on wool exports

CRC

for

Premium

Quality

Wool